



TO: Local Government Officials, Staff, Community and Economic Development Agencies, Organizations and Others Interested in the Montana Community Development Block Grant (CDBG) Program

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DATE: December 5, 2008

SUBJ: **1. Introduction and Background of the CDBG Program**

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## **1. Introduction and Background of the CDBG Program**

Montana's CDBG program is a federally funded, competitive grant program designed to help communities of less than 50,000 population with their highest priority community development needs. All CDBG projects must principally benefit low and moderate income persons. The program was established by the federal Housing and Community Development Act of 1974 which was signed into law by President Gerald R. Ford. The Montana Department of Commerce (MDOC) administers the program under contract with the U.S. Department of Housing and Urban Development (HUD). In 1982, MDOC took over administration of the "Small Cities" CDBG program for communities of less than 50,000 population from HUD. The MDOC Business Resources Division administers the Economic Development category. The MDOC Community Development Division administers the Housing and Public Facilities categories.

## **2. Federal Budget Update**

- FFY 2006: Since MDOC began administering the State CDBG Program in 1982, and prior to the Bush Administration, the annual budget for the program that has been set by Congress has seldom varied up or down by more than about five percent. In January 2005, however, the Bush Administration proposed to eliminate the CDBG Program entirely and cut all funding for CDBG from the Federal Fiscal Year (FFY) 2006 budget. However, Congress subsequently voted to continue the CDBG Program, although the budget for CDBG was reduced by approximately 10 percent.
- FFY 2007: President Bush's budget proposed a 25 percent cut in CDBG funding. However, Congress authorized the final budget closer to the FFY 2006 funding level.
- FFY 2008: The President's budget proposed a 20 percent cut in CDBG, a reduction of \$822 million from current funding levels. However, Congress cut CDBG only 3.2% for FFY 2008.
- FFY 2009: The President's budget proposed a 22% cut in CDBG funds for FFY 2009. The application guidelines for the FFY 2009 CDBG program assume a funding level equal to the 2008 program, until more definitive information regarding the status of the FFY 2009 CDBG budget is received. President-Elect Obama pledged during the presidential campaign to support full funding for the CDBG Program. While it is too early to predict what action the new Congress will take on the FFY 2009 budget, the Montana CDBG Program is cautiously optimistic that CDBG funding will be increased. The Montana CDBG Program will try to keep local government officials, and others interested in the CDBG program, informed of any developments regarding CDBG funding under the Obama Administration and the new Congress.

## **3. Proposed Application Deadlines, Allocation of Funds, and Program Changes for the Federal Fiscal Year 2009 and 2010 Programs**

The following presents a summary of proposed changes to Montana's CDBG Program Application Guidelines for Economic Development, Housing and Neighborhood Renewal, and Public Facilities projects for FFY 2009 and FFY 2010 funds. This summary focuses on the key issues which local government officials and others need to be aware of in order to offer comments. The final guidelines will be distributed to local governments and other interested persons in February 2009 for Planning Grants, Public Facilities and in the summer of 2009 for FFY 2010 Housing and Neighborhood Renewal projects.

Since the establishment of the Montana CDBG program in 1982, the MDOC has attempted to keep the CDBG program as useful to local governments as possible, consistent with the federal laws and regulations under which it must operate. The proposals presented in this report are an important part



of the Department's on-going effort to continually re-evaluate and improve the program. It is important that local officials and others interested in community development review and provide comments on these proposals. By responding to your suggestions, the CDBG program can continue to be responsive to Montana local governments as they seek solutions to their highest priority community development needs.

**A. Public Hearing on CDBG Guidelines**  
**Scheduled for Tuesday, December 16, 2008**

A public hearing on the proposed CDBG Application Guidelines will be held Tuesday, December 16, 2008, at 1:30 p.m. in the Montana Department of Commerce building, 301 South Park, 2<sup>nd</sup> Floor – Conference Room #228. Written comments may also be submitted to:

**Community Development Division**  
**Attention: Gus Byrom**  
Montana Department of Commerce  
P.O. Box 200523 - Helena, Montana 59620-0523  
E-mail: [gbyrom@mt.gov](mailto:gbyrom@mt.gov) Phone: (406) 841-2777 Fax: (406) 841-2771

**Business Resources Division**  
**Attention: Karyl Tobel**  
Montana Department of Commerce  
P.O. Box 200505 - Helena, Montana 59620-0505  
E-mail: [karylt@mt.gov](mailto:karylt@mt.gov) Phone: (406) 841-2733 Fax: (406) 841-2731

**Comments must be received no later than 5:00 p.m., December 24, 2008 in order to be incorporated into the formal hearing record.**

**B. Proposed Application Deadlines**

CDBG Public Facilities applications for FFY 2010 funds are proposed to be due in May 2009. The Housing and Neighborhood Renewal competition for FFY 2010 funds will have applications due in November 2009. Within the public facilities and housing categories, communities will be applying for FFY 2010 funds without knowing precisely how much CDBG funding will be available. The award of FFY 2010 funds will be contingent on Montana receiving its CDBG grant funds from Congress and HUD.

The tentative application deadlines for the grant competitions to take place in calendar year 2009 will be as follows:

- **Economic Development for FFY 2009 Grants – Open Cycle**  
ED Application Guidelines will be available **February 2009**  
ED Planning Grant Guidelines will be available **May 2009**
- **Planning Grant Competition for FFY 2009 Grants – Housing and Public Facilities**  
Applications are due **April 17, 2009**  
Grant Announcement – June 2009
- **Public Facilities Competition for FFY 2010 Grants**  
Applications are due **May 22, 2009**  
Grant Announcement – October 2009
- **Housing and Neighborhood Renewal Grant Competition for FFY 2010 Grants**  
Applications are due **November 6, 2009**  
Grant Announcement – February 2010
- **Montana Neighborhood Stabilization Program (NSP) – see Section 4**



### **C. Proposed Allocation and Distribution of Funds**

As described above, Congress has not yet passed a final HUD budget for FFY 2009, including funding for the CDBG program. Whatever final funding level is approved by Congress, the allocation of funds for FFY 2009 CDBG funds will be distributed in a proportionate manner, based upon the funding level received for FFY 2008. Montana's total allocation of CDBG funds for FFY 2008 was \$6,744,834, a slight decrease from the FFY 2007 level of \$6,886,683.

The application guidelines for the FFY 2009 and FFY 2010 Montana CDBG program assume a funding level equal to the 2008 program, until more definitive information regarding the status of the CDBG budget is received. On February 4, 2008, the President's budget proposed a 22% cut in CDBG funds.

#### ***Proposed Distribution of FFY 2009 CDBG Funds***

***The following table summarizes the estimated distribution of CDBG funds for the FFY 2009 program, based upon the funding level received for FFY 2008.***

Estimated FFY 2009 State CDBG Allocation:	6,744,834
Less 3% for State Program Administration and Technical Assistance as Provided by Federal Law	302,345
Amount Available for Award to Local Governments	6,442,489
Less 1/3 Allocation for Economic Development Projects	2,147,926
Total Available for Housing and Neighborhood Renewal and Public Facilities Projects	4,294,563
Less Planning Grants - Housing and Public Facilities	<u>225,000</u>
Sub-Total	4,069,563
Allocation for Housing and Neighborhood Renewal Projects (23%)	936,000
Allocation for Public Facilities Projects (77%)	3,133,563

The Department will base the funding allocation for the Housing and Public Facilities categories upon the demand for the two categories for the previous two years. Using a two-year average, this method adjusts for any variability in the demand for CDBG public facilities funding that may be associated with the biennial cycle of the State's legislatively approved infrastructure funding programs: the Department of Natural Resources and Conservation (DNRC) Renewable Resources Grant and Loan Program and MDOC's Treasure State Endowment Program (TSEP).

In this way, the funding reserved for each category can respond to changing relative demand for CDBG Housing and Public Facilities grants over time. Through this method, the amounts allocated between the two categories will change based upon actual past demand; however, the basic method of distribution remains unchanged. The chart on the next page lists the number of Housing and Public Facilities applications and the total dollars requested for the last two years.



<b>CDBG APPLICATIONS RECEIVED 2007-2008</b>				
	<b>HOUSING</b>		<b>PUBLIC FACILITIES</b>	
FFY YEAR	# OF APPS	TOTAL \$ REQUESTED	# OF APPS	TOTAL \$ REQUESTED
2007	5	1,800,000	17	7,374,679
2008	5	2,188,749	17	6,688,940
<b>Total:</b>	<b>10</b>	<b>3,988,749</b>	<b>34</b>	<b>14,063,619</b>
<b>% of Total Applications</b>	<b>23%</b>		<b>77%</b>	

For the competition for FFY 2009 Housing funds it was necessary to extend the application deadline because of the unanticipated passage of the federal Neighborhood Stabilization by Congress in late July 2008 and the necessity to get the new program underway as soon as possible. Because the Housing deadline was extended, it will not be possible to calculate a new two-year average at this time to adjust the demand between Housing and Public Facilities projects until Housing applications are received in February, 2009.

### **FFY 2010 Funds: Proposed Distribution of Funds**

The allocations for the Housing and Public Facilities categories for FFY 2010 funds will be established according to the method of distribution as shown below. The percentages for FFY 2010 are based on the percentages calculated for FFY 2009.

***The following table summarizes the estimated distribution of CDBG funds for the FFY 2010 program, based upon the funding level received for FFY 2008.***

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Less Planning Grants - Housing and Public Facilities	<u>225,000</u>
Sub-Total	4,069,563
Allocation for Housing and Neighborhood Renewal Projects (23%) – est.	936,000
Allocation for Public Facilities Projects (77%) - est.	3,133,563

### **D. CDBG Economic Development Program (CDBG-ED)**

**CDBG-ED Planning Grant Projects:** The Community Development Block Grant Economic Development Program will set aside up to \$210,000 for economic development planning, capacity building, and technical assistance grants from the FFY 2009 program. The Department intends to use the set-aside for activities similar to those funded in recent years but will establish specific application policies by May 2009. The policies will specify funding priorities, application procedures, and amounts available at that time for each subcategory. Establishing policies in May 2009 will provide flexibility to



address specific needs identified at the time federal funding becomes available for the CDBG program. Funds not utilized for this category may be used for regular economic development activities.

**Proposed Changes: None.**

**CDBG Economic Development Projects:** For 2009, the CDBG Economic Development funds (loans and grants) can be used for a variety of activities to assist a new or expanding business. Typically, these activities include loans for working capital or equipment purchases. Grants may be applied for to improve infrastructure in support of a business, or for worker training.

**Proposed Changes: None.**

## **E. CDBG Housing and Public Facilities Program**

### **Proposed Change – Applicable to All Grant Categories of the CDBG Housing and Public Facilities Program:**

Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards for Housing, Public Facilities, or Planning projects may be reallocated to other CDBG-eligible projects at the discretion of the MDOC Director, to best achieve the stated objectives of the Montana CDBG Program.

**Planning Grant Projects:** For FFY 2009, within the CDBG Housing and Neighborhood Renewal and Public Facilities Program, the CDBG program proposes to continue to set aside \$225,000 for planning, capacity building, and technical assistance grants to local governments, the same level as previous years. The planning grant funds can be used to assist local governments in a wide variety of planning-related activities, including preparation of community growth policies, needs assessments, capital improvements plans, housing studies, and preliminary architectural or engineering plans related to construction of water and wastewater systems or other public facilities.

**Proposed Change:** CDGB proposes to increase the matching grant ceiling from \$15,000 to \$20,000 for Planning, Capacity Building, and Technical Assistance Grants within the CDBG Housing and Neighborhood Renewal and Public Facilities Program, to better help local communities deal with increased costs.

**Public Facilities Projects:** In Public Facilities projects, CDBG funds are most often used in combination with other federal, state, or local funds to make basic community infrastructure improvements such as drinking water and wastewater facilities affordable to low and moderate income families. Public facility projects can also include facilities designed for use predominantly by persons of low and moderate income such as county hospitals or nursing homes, senior centers, Head Start centers, or mental health centers.

**Proposed Changes: None.**

**CDBG Housing and Neighborhood Renewal Projects:** The CDBG Housing and Neighborhood Renewal category is intended to assist communities in a wide range of activities with the goal of providing decent, safe and sanitary housing for their residents at an affordable price and to combat blighting influences in the community. A variety of activities can be combined in one single project as part of implementation of a comprehensive housing strategy linked to the particular needs and circumstances of an individual community.

**Proposed Changes: None.**



Implementation of the new HUD Neighborhood Stabilization Program (NSP), as described below and at [http://comdev.mt.gov/CDD\\_CDBG\\_NSP.asp](http://comdev.mt.gov/CDD_CDBG_NSP.asp)

#### 4. Montana Neighborhood Stabilization Program

On July 30, 2008, President Bush signed into law the Federal Housing and Economic Recovery Act (HR 3221) which, among other activities, establishes the new Neighborhood Stabilization Program (NSP). Thanks to the efforts of Montana Senator Max Baucus, each state will receive at least \$19.6 million in NSP funds. Montana is one of those states slated to receive \$19.6 million to fund eligible activities permitted under the Act. These funds would be administered by the Montana Department of Commerce under agreement with the U.S. Department of Housing and Urban Development (HUD). At present, MDOC (CDBG and the Housing Division) is working to establish a mechanism whereby Montana local governments (cities and counties), Indian Tribes, and non-profit organizations would be able to apply to the Department in 2009 to put these funds to good use to address community housing and neighborhood revitalization needs.

**Eligible Uses of NSP Funds.** NSP funds can be used to:

- create financing mechanisms to purchase and redevelop abandoned and foreclosed properties (through means such as soft-second loans, loan loss reserves, and shared-equity loans);
- purchase and rehabilitate abandoned and foreclosed homes to re-sell, rent or redevelop;
- establish land banks of foreclosed home properties;
- demolish blighted structures; and,
- redevelop demolished or vacant properties.

**Eligible NSP households** are those at 120 percent of area median income or less.

**For additional detailed and updated NSP information, please see CDBG's NSP webpage:**  
[http://comdev.mt.gov/CDD\\_CDBG\\_NSP.asp](http://comdev.mt.gov/CDD_CDBG_NSP.asp)

#### **NSP Implementation Schedule**

The schedule for implementation of the new Neighborhood Stabilization Program is very tight. States have 18 months from the date HUD approves Montana's plan for grant activities (called the Action Plan Amendment) to have the NSP funds obligated (defined as committed to real construction activities by contrast, not merely awarded to local entities). The schedule is that the draft Action Plan Amendment had to be completed by November 13<sup>th</sup>. The public had two weeks to review and comment upon the Action Plan between November 13<sup>th</sup> and November 27<sup>th</sup>. On December 1<sup>st</sup>, the state submitted the Action Plan to HUD which will review the plan during December. The goal at this time is to have the new NSP program up and running as soon as possible early in 2009.

#### **NSP Workshop and Consultation Schedule**

Prior to the submission of the Montana NSP Amendment to HUD, the State of Montana encouraged initial comments from the public to assist in drafting the amendment. The following is a list of presentations and consultations regarding NSP involving MDOC staff prior to November 28, 2008, the date of publication of the amendment:

- Presentation at the League of Cities and Towns in Missoula on October 9, 2008.
- Presentation at the Montana Association of Counties in Hamilton on September 24, 2008.
- Presentations at four statewide housing workshops held at the following locations:



- Glendive – October 15, 2008
  - Billings – October 16, 2008
  - Missoula – October 29, 2008
  - Great Falls – October 30, 2008
- Conference call with representatives of several Indian reservations in Montana, Governor's Office of Economic Development, and local HUD Field Representatives on October 5, 2008.
  - Numerous e-mails, letters and phone calls with elected officials and non-profit organizations.
  - A two-hour state-wide combined Go-to-Webinar (internet-based conference call) and METNET (video-conferencing) on November 20. MDOC staff presented this amendment and provided an opportunity for comments and questions; 65 persons participated.
  - A meeting on November 21 in Billings with representatives of tribes and a representative of NeighborWorks Montana to discuss how NSP funds can be used by Montana's Indian tribes.

• **See Section 6 below for dates and locations of additional full-day CDBG workshops in February and March concerning the Neighborhood Stabilization Program.**

## **5. Dates and Locations for W<sub>2</sub>ASACT Public Facilities Workshops for Spring 2009**

In cooperation with the *Water, Wastewater, and Solid Waste Agencies Coordinating Team* (W<sub>2</sub>ASACT, <http://dnrc.mt.gov/cardd/ResDevBureau/wasact/default.asp>), the CDBG program will be co-hosting three (8:30- 4:00) workshops designed to familiarize local governments with federal and state low-interest loan and grant programs that are available to assist local governments and water and sewer districts in financing water, sewer, and other types of public facility projects.

**Dates and locations for the Spring 2009 W<sub>2</sub>ASACT Workshops (8:30 – 4:00, except for March 5) concerning Public Facilities Projects are as follows:**

- **Wednesday, February 18, 2009 -- in Great Falls -- at the Best Western Heritage Inn**
- **Wednesday, March 4, 2009 -- in Billings -- at the Crowne Plaza Hotel**
- **Thursday, March 5th – Glendive, 8:30 a.m. to noon -- See item 6 below for more details.**
- **Wednesday, March 11, 2009 – in Missoula -- at the Holiday Inn Downtown at the Park**

## **6. Dates and Locations for CDBG Full-Day Workshops Concerning the New CDBG Neighborhood Stabilization Program and the CDBG Public Facilities Program for Spring 2009**

In addition to the W<sub>2</sub>ASACT workshops listed in Section 5 above, the CDBG Program will be hosting four full-day workshops focusing on specific details of CDBG requirements related to the CDBG Public Facilities application process (deadline of May 22, 2009) and presenting the latest information on the new Neighborhood Stabilization Program (NSP).

Local government officials and all those interested in learning about the NSP and about how to plan for and finance local public facilities are encouraged to attend these sessions. The four workshops will also cover possible funding for the NSP and for public facilities such as senior centers, Head Start facilities, rural hospitals, and other types of public facilities, in addition to assistance for water and wastewater public facilities projects.



**Dates and locations in 2009 for the CDBG-NSP Workshops are listed below.**

**CDBG-NSP Full-Day Workshops**

**Concerning the CDBG Public Facilities Program and  
the CDBG Neighborhood Stabilization Program for Spring 2009**

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**Tuesday, February 17th -- Great Falls, 8:30 a.m. to 5 p.m.** CDBG-NSP Full-Day Workshop -- at the **Best Western Heritage Inn.** (CDBG – A.M.; NSP – P.M.)

- To be held in Great Falls the day before the February 18th full-day W2ASACT workshop.
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**Tuesday, March 3rd – Billings, 8:30 a.m. to 5 p.m.** CDBG-NSP Full-Day Workshop -- at the **Crowne Plaza Hotel.** (CDBG – A.M.; NSP – P.M.)

- To be held in Billings the day before the March 4th full-day W2ASACT workshop.
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**Thursday, March 5th – Glendive, 8:30 a.m. to 5 p.m.** CDBG-NSP (and W2ASACT) Full-Day Workshop --at the **Dawson County Courthouse, Community Meeting Room, 207 West Bell Street in Glendive.** (CDBG – A.M.; NSP – P.M.)

- Note – At this Glendive Full-Day Workshop, the CDBG Neighborhood Stabilization Program and the CDBG Public Facilities Program will be the main topics covered. In addition, the other principal W2ASACT funding programs that are available to assist communities with water and wastewater projects will also be briefly covered as well by CDBG staff.
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**Thursday, March 12th – Missoula, 8:30 a.m. to 5 p.m.** CDBG-NSP Full-Day Workshop -- at the **Holiday Inn Downtown at the Park.** (CDBG – A.M.; NSP – P.M.)

- To be held in Missoula the day after the March 11th full-day W2ASACT workshop.
-